

110TH CONGRESS
2D SESSION

H. R. 7226

To direct the Federal Deposit Insurance Corporation to create a “net worth certificate” program along the lines of what Congress enacted in the 1980s for the savings and loan industry.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 29, 2008

Mr. SHADEGG (for himself, Mr. KINGSTON, Mr. ROSKAM, Mr. DEAL of Georgia, Mr. FORTENBERRY, Mr. GINGREY, Mr. WESTMORELAND, Mrs. BACHMANN, Mr. SALI, Mr. WELDON of Florida, Mr. GOHMERT, Ms. FOXX, Mrs. DRAKE, Mr. GARRETT of New Jersey, Mr. SESSIONS, Mr. PEARCE, Mr. AKIN, Mr. HOEKSTRA, Mr. ROGERS of Michigan, Mr. BARRETT of South Carolina, Mr. FLAKE, Mrs. BLACKBURN, Mr. BRADY of Texas, Mr. CARTER, Mr. MCCAUL of Texas, Mr. TIBERI, Ms. GINNY BROWN-WAITE of Florida, Mr. SAM JOHNSON of Texas, Mr. KING of Iowa, Mr. MANZULLO, Mr. SENSENBRENNER, Mr. FEENEY, Mrs. BIGGERT, and Mr. DOOLITTLE) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To direct the Federal Deposit Insurance Corporation to create a “net worth certificate” program along the lines of what Congress enacted in the 1980s for the savings and loan industry.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Net Worth Certificate
3 Program Act of 2008”.

4 **SEC. 2. SPECIFICATION OF CONSTITUTIONAL AUTHORITY**
5 **FOR ENACTMENT OF LAW.**

6 This Act is enacted pursuant to power granted Con-
7 gress under article 1, section 8, clause 3 of the United
8 States Constitution.

9 **SEC. 3. FINDINGS AND PURPOSE.**

10 (a) FINDINGS.—The Congress finds the following:

11 (1) The Federal Deposit Insurance Corporation
12 enacted a similar program in the 1980s;

13 (2) That program, in the 1980s, resolved a
14 \$100 billion insolvency in the savings banks for a
15 total cost of less than \$2 billion;

16 (3) Such a program will bolster the capital posi-
17 tion of banks with real estate holdings;

18 (4) Such a program will give banks the ability
19 to sell and restructure assets and get on with their
20 rehabilitation; and

21 (5) This program would not require taxpayer
22 money would be spent, and the asset sale trans-
23 actions would remain in the private sector where
24 they belong.

25 (b) PURPOSE.—The purpose of this Act is to:

1 (1) Create a program, managed by the Chair-
2 man of the Federal Deposit Insurance Corporation,
3 to purchase net worth certificates in order to help
4 banks with their capital position.

5 **SEC. 4. NET WORTH CERTIFICATE PROGRAM.**

6 The Chairman of the Federal Deposit Insurance Cor-
7 poration is directed to create a net worth certificate pro-
8 gram that will settle the financial markets without signifi-
9 cant expense to taxpayers.

10 (1) The program created by the Chairman of
11 the Federal Deposit Insurance Corporation will be
12 authorized to purchase net worth certificates by
13 issuing FDIC senior notes to the banks in the form
14 of subordinated debentures, a commonly used form
15 of capital in banks, or in any other form the Chair-
16 man determines meets the goals and requirements of
17 this program;

18 (2) For a bank to be eligible to participate in
19 the program the Chairman must certify that it is
20 both in danger of failing, and could be viable if they
21 were given more time than they are eligible to par-
22 ticipate;

23 (3) The Chairman is required to issue new,
24 strict supervision rules for banks that wish to enter
25 the program and the banks must document their

1 agreement to comply with the new rules. These new
2 oversight rules must also include, but are not to be
3 limited to, oversight of compensation of top execu-
4 tives and removal of poor management.

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